

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05
L-03 /053 W

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P 270700Z MAR 77

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC PRIORITY 5561

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 4064

E.O. 11652: GDS

TAGS: EAIR, UR, US

SUBJECT: US-USSR CIVIL AVIATION TALKS

1. USDEL OPENED MARCH 24 SESSION BY OFFERING DETAILS RE
PARA 8 OF US PROPOSAL. WE SUGGESTED 90 PERCENT PERCENTAGE
LIMITATION FOR YEAR ENDING APRIL 1978, 40 PERCENT FOR 1979,
AND 20 PERCENT FOR 1980. WE SAID THAT SOVIET PROPOSAL OF
MARCH 23 WHICH WOULD CONDITION FOREGOING LIMITATIONS ON
SPECIFIC INCREASES IN TRAFFIC BY AIRLINE HAVING THE
LESSER SHARE WAS UNACCEPTABLE, BECAUSE IT WOULD SERVE AS
DISINCENTIVE FOR THE SOVIET SIDE TO ENCOURAGE CARRIAGE OF
TRAFFIC BY PAN AM. WE NOTED THAT IT WOULD BE IN THE
INTEREST OF AEROFLOT TO ASSURE THAT PAN AM DID NOT INCREASE
TRAFFIC IN ORDER THAT THERE WOULD BE NO CARRIAGE LIMITATION
ON AEROFLOT. WE WOULD BE PREPARED TO INCLUDE LANGUAGE THAT
BOTH SIDES RECOGNIZE IMPORTANCE OF INCREASING CARRIAGE BY
AIRLINE WITH SMALLER SHARE AND WOULD MUTUALLY STRIVE TO DO
SO. RE CORRECTIVE FORMULA IF ONE AIRLINE FAILS TO OPERATE
ALL ITS AUTHORIZED FREQUENCIES, USDEL FAVORED PARA 8 (B)
OF US PROPOSAL BUT WAS PREPARED TO IMPLEMENT IT MORE
LIBERALLY FOR THE SOVIET SIDE INCREASING THE VOLUME OF
TRAFFIC AUTHORIZED TO BE CARRIED BY THE OTHER AIRLINE
(AEROFLOT) BY A PERCENTAGE EQUAL TO ONE-HALF, VICE ONE-
QUARTER, OF THE PERCENTAGES DESCRIBED IN PARA 8 (B).

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THE PENALTY FOR EXCESS OF AUTHORIZED CARRIAGE WOULD COM-
BINE PARA 2(C) OF SOVIET FEB 22 PROPOSAL AND PARA 8(C)
OF US PROPOSAL SO THAT AIRLINE WITH LESSER SHARE COULD
INCREASE ITS FREQUENCIES BY ONE, BUT IF IT CHOSE NOT TO DO
SO THE OTHER AIRLINE WOULD DECREASE BY ONE. USDEL ALSO
OFFERED AMENDMENTS RE FREQUENCIES IN PARA 5 OF US PROPOSAL:
TWO FREQUENCIES FOR SUMMER 1977 WITH OTHER NUMBERS STAYING

THE SAME, BUT US WOULD BE WILLING TO MAKE PROVISIONS IN WINTER SEASONS THAT FREQUENCIES MAY INCREASE TO THREE EACH IF BOTH AIRLINES MUTUALLY AGREED.

2. IF SOVIETS REPLIED THAT THEY WOULD ONLY ACCEPT US PROPOSAL IF USE OF B-747'S IS EXCLUDED. USDEL NOTED B-747 DOES NOT CHANGE QUESTION OF IMBALANCES, BUT WOULD HELP PAN AM FROM COST POINT OF VIEW AND LET IT INCREASE ITS CARRIAGE, A GOAL THAT STATED A PRINCIPAL CONCERN OF THE SOVIET SIDE. SOVIETS RESPONDED THAT THEY WERE READY TO DISCUSS B-747'S ONLY IN FRAMEWORK OF FREQUENCY LEVELS IN JUNE 1975 AIRLINE AGREEMENT.

3. WHEN ASKED FOR COMMENTS ABOUT PARAS 8 (A), (B), AND (C) OF US PROPOSAL, SOVIETS REPLIED THAT PERCENTAGES IN 8 (A) WERE VERY LOW AND WOULD STICK BY THEIR SUBMISSION OF MARCH 23. SOVIETS ACCEPTED COMBINATION OF PARA 8(C) OF US PROPOSAL AND 2(C) OF USSR PROPOSAL AND SAID CORRECTION FORMULA LOOKED GOOD IN PRINCIPLE BUT FINAL DECISION DEPENDS ON PERCENTAGES IN PARA 8(A).

4. USDEL THEN SUGGESTED THAT PACKAGE BE EXPANDED THROUGH 1981, THUS ALLOWING POSSIBILITY OF HIGHER LEVEL OF FREQUENCIES IN LAST YEAR THAN IN 1980. FURTHERMORE, AEROFLOT WOULD HAVE ONE MORE FREQUENCY THAN PAN AM FOR EACH SUMMER SEASON (EXCEPT 1977), BUT US WOULD THEN INSIST ON ALTERING PARA 8(C) BY PENALIZING AIRLINE WITH EXCESS CARRIAGE BY LOSS OF TWO FREQUENCIES. FOR SUMMER 1980 THERE WOULD BE SIX FLIGHTS FOR US AND 7 FOR USSR AND WINTER 1980-81, TWO FLIGHTS EACH. PERCENTAGES IN PARA 8(A) WOULD BE 90 IN YEAR ENDING

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1978, 40 IN 1979, 25 IN 1980, AND 20 IN 1981.

5. SOVIETS SUGGESTED FOLLOWING SCHEDULE:

747 707 IL62

APRIL 1977 - OCTOBER 1977 - 3 3

OCT 1977 - APR 1978 - 3 3

;4 1978 - OCT 1978 1 2 5

9:5 1978 - APR 1979 - 3 4

APR 1979 - OCT 1979 2 1 6

OCT 1979 - APR 1980 - 4 4

APR 1980 - OCT 1980 3 - 7

OCT 1980 - APR 1981 - 4 4

US REJECTED SOVIET PROPOSAL BECAUSE IT GAVE US MORE FREQUENCIES THAN WE WANT AND LESS THAN WHAT WE WANT IN THAT ONLY CERTAIN NUMBER OF B-747'S CAN BE USED.

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6. SOVIETS THEN PROPOSED HIGHER PERCENTAGES FOR PARA 8(A) OF US PROPOSAL; 120 80, 60 AND 40.. THEY REJECTED PENALTY OF TWO FLIGHTS IN PARA 8(C) OF US PROPOSAL. US NOTED THAT WITH AEROFLOT HAVING MORE FREQUENCIES THAN PAN AM PENALTY HAS TO BE INCREASED IF IT IS TO MEAN SOMETHING AND THAT, EVEN WITH LOSS OF TWO FREQUENCIES, US IS TAKING RISK.

7. IN AFTERNOON SESSION US SUBMITTED FOLLOWING CHANGES IN PARA 8 LANGUAGE IN US DRAFT PROTOCOL: BEGIN TEXT:

THE FOLLOWING ARRANGEMENTS ARE UNDERTAKEN IN ORDER TO ASSURE THAT THE BENEFITS RESULTING FROM THE CIVIL AIR TRANSPORT AGREEMENT ARE OF EQUAL ADVANTAGE TO EACH COUNTRY AND IN ORDER TO FOSTER THE EXPANSION OF AIR TRAVEL AND THE DEVELOPMENT OF AIR SERVICES BY THE DESIGNATED AIRLINES BETWEEN THE TWO COUNTRIES: (A), (B), (C), (D) SAME AS FEB 22 DOCUMENT.

(E) THE TWO GOVERNMENTS AND THE DESIGNATED AIRLINES SHOULD TAKE STEPS TO FACILITATE THE CARRIAGE OF INCREASED TRAFFIC, PARTICULARLY ON THE DESIGNATED AIRLINE HAVING THE LESSER SHARE OF THE MARKET. TO THIS END, THE GOVERNMENT OF THE USSR WILL MAKE ARRANGEMENTS WITH APPROPRIATE SOVIET AGENCIES TO ASSURE NECESSARY ACCOMMODATIONS, DOCUMENTATION, AND OTHER TRAVEL ARRANGEMENTS FOR THE
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CARRIAGE OF INCREASED TRAFFIC BY THE U.S. DESIGNATED AIRLINE BETWEEN THE TWO COUNTRIES. FURTHERMORE, THE U.S. DESIGNATED AIRLINE, IN COOPERATION WITH APPROPRIATE SOVIET AGENCIES, WILL USE ITS BEST EFFORTS TO INCREASE ITS CARRIAGE OF TRAFFIC. END TEXT.

SOVIETS REJECTED THIS AS TOO UNSURE AND PLACING MORE OBLIGATIONS ON SOVIET GOVERNMENT. THEY SUGGESTED EXPANSION OF THEIR LANGUAGE TO STATE THAT BOTH SIDES SHOULD ALSO CONSULT ON MARKET CONDITIONS AND DISCUSS WHY OBLIGATIONS ARE NOT BEING FULFILLED, ETC. US RESPONDED THAT SUCH LANGUAGE DID NOT CHANGE LEGAL IMPLICATION OF SOVIET PROVISIO, WHICH REMAINED UNACCEPTABLE.

8. SOVIETS THEN SUGGESTED ACCEPTANCE OF FREQUENCIES US HAS PROPOSED BUT WITH THREE EACH IN SUMMER 1977; PERCENTAGES OF 120, 80, 60, AND 40 IN PARA 8 (A); PERCENTAGES UNDER THE PROVISIO OF 20, 35, 50, AND 65 IN RESPECTIVE YEARS; A PENALTY OF ONE FREQUENCY LOST; AND A CORRECTIVE MECHANISM OF ONE-HALF OF THE PERCENTAGE DIFFERENTIALS.

9. US, OF COURSE, REJECTED THIS BECAUSE SOVIETS WERE NOW INSISTING ON TWO LOOPHOLES, A DECREASE IN PENALTIES AND A PROVISIO WHICH WAS ALLOWING THEM TO CARRY AS MUCH TRAFFIC AS POSSIBLE, US THEN INSISTED THAT SOVIETS ADDRESS IMBALANCE QUESTION OR FACE POSSIBILITY OF NOT HAVING AN AGREEMENT IN WHICH CASE THE PRINCIPAL QUESTION BECOMES WHETHER THE US WILL ALLOW THE MAINTENANCE OF THE STATUS QUO LEVEL OF FREQUENCIES.

10. THE SOVIETS THEN NOTED THAT THE US HAS NOT FORMALLY GIVEN A REPLY TO SOVIET NOTE LINKING EXPANDED FREQUENCIES AND CONTINUED CHARTERS. USDEL RESPONDED THAT THE PROPOSAL WAS UNACCEPTABLE AND MATTER AS TO WHETHER NOTE WOULD RECEIVE FORMAL, WRITTEN RESPONSE WAS STILL UNDER STUDY.

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11. AT THAT POINT USDEL SAID THERE WAS NO POSSIBILITY REACHING AGREEMENT UNLESS SOVDEL WITHDREW THE LOOPHOLES. WE SUGGESTED EITHER SIDE CONTACT THE OTHER IF THERE WAS REASON TO MEET MARCH 25. SOVIETS SUGGESTED DISCUSSION OF OTHER METHODS FOR ADDRESSING IMBALANCE, NAMELY POOLING, AND PROPOSED FOLLOWING THAT APPROACH MARCH 25. USDEL RESPONDED THAT US NOT OPPOSED TO CONSIDERING ANY METHOD OF ADDRESSING

IMBALANCE BUT NOTED THE INITIATIVE FOR POOLING CAME RATHER LATE IN THE TALKS. USDEL CONTINUED THAT CURRENT APPROACH HAS BEEN UNDER DISCUSSION SINCE JUNE 1975 TALKS, THAT IT WAS NOT PRACTICAL TO EXPECT PURSUE AND COMPLETE ANOTHER APPROACH THIS WEEK, AND THAT USDEL, AT MOMENT, HAS NO INSTRUCTIONS TO REACH AGREEMENT USING POOLING. IT WAS AGREED MEET AGAIN MARCH 25 TO DETERMINE WHETHER IT WAS STILL POSSIBLE TO PURSUE LIMITATION APPROACH; IF NOT, USDEL WOULD HEAR WHAT SOVIETS HAD TO SAY ABOUT POOLING.

12. PLEASE ADVISE PAN AM OF ABOVE.
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Message Attributes

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Decaption Note:
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